

Manufacturer's Application for Sales and Use Tax Deferral for Lessor Chapter 82.85 RCW

(Effective January 1, 2018)

Program Overview:

- Only two projects may be approved by the department each year.
- One project must be located in Eastern Washington and one must be located in Western Washington.
- Sales and Use Taxes on the first ten million dollars in costs for qualifying buildings and machinery and equipment can qualify.
- A project is for qualified buildings and machinery and equipment.
- Deferred taxes must be repaid.
- Deferrals are available on a first-in-time basis.

Use this application if:

• You are a lessor that owns the facility, are paying for the investment project, and are passing the economic benefit of the deferral to a lessee manufacturing at the project location.

General Instructions

Filing: This application must be mailed, faxed, or emailed to the Washington State Department of Revenue prior to the date a building permit is issued and/or prior to the acquisition of machinery and equipment within Washington State. Deferrals are available on a first-in-time basis.

Eligible Investment Projects means an investment in qualified buildings and qualified machinery and equipment on new, renovated, or expanded manufacturing operations. Only two projects may be approved by the department each year. The deferral applies to sales and use taxes on the first \$10,000,000 in qualifying costs for qualified buildings and machinery and equipment.

Investment Project means an investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

Qualified Buildings means construction of new structures, and expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for manufacturing.

Qualified Machinery and Equipment means all new industrial fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing operation.

Manufacturing has the same meaning as provided in Revised Code of Washington (RCW) 82.04.120.

Operationally Complete: The project is operationally complete when it is able to be used for its intended purpose. The taxpayer must notify the Department once the project is operationally complete and begin submitting the annual tax performance reports.

Use and Reporting Requirements: All businesses must complete an annual tax performance report the year the project is operationally complete plus seven additional years. It is due May 31st and is required every year during this eight-year period per RCW 82.32.534. In addition: All businesses must continue manufacturing at the site until all deferred taxes are repaid. If the manufacturing activity is not maintained, all or a portion of the deferred taxes outstanding for this investment project will be immediately due.

Buyer's Sales and Use Tax Preference Addendum: Taxpayers using this deferral program are required to complete the Buyer's Sales and Use Tax Preference Addendum in E-file when filing their Excise Tax Returns. The addendum is found on the main menu under "Tax Preference." (RCW 82.32.808)

Repayment of Taxes: This deferral must be repaid. The deferred tax is repaid in ten equal payments beginning on December 31st of the fifth calendar year after the project is operationally complete, with the remaining payments due on December 31st for each of the following nine years.

Manufacturer's Equipment Exemption: Sales and Use Taxes often do not apply to machinery and equipment used in manufacturing operations. See the publication at dor.wa.gov titled Manufacturer's Sales and Use Tax Exemption for details. Machinery and equipment that qualifies under the exemption should not be included on the deferral application.

Mail, Fax, or Email To:

Department of Revenue Audit Division, Refund & Deferral Unit PO Box 47474 Olympia, WA 98504-7474

Fax: 360-704-5648

Email: DORdeferrals@dor.wa.gov **Questions? Call 360-534-1503 option 6.**



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Business Applying for Manufacturer's Deferral	Lessee Information				
Name:	Name of Lessee:				
Address: (Street Address)	Mailing Address: (Street Address)				
(21.25.33)	(Street Address)				
(City, State, and Zip Code)	(City, State, and Zip Code)				
Telephone No:	Contact Person:				
Tax Reporting Number (WA):	Telephone No.				
	Email Address:				
Contact Person Information (All correspondence will be directed to this person)	Tax Reporting Number:				
Name:	1. Do the lessee and lessor have 100% Yes No same ownership?				
Mailing Address:(Address)	If the answer to question 1 is "Yes," please provide documentation to substantiate the relationship.				
(City, State, and Zip Code)	2. If the answer to question 1 is "No," has the lessor agreed by written contract to pass the economic benefit Yes No				
Telephone No:	of the deferral to the lessee?				
Fax Number: Email Address:	(Please attach a completed Lessee's Application, if applicable, and a copy of the lease agreement reflecting the economic benefit of the deferred tax is passed onto the lessee by any type of payment, credit, or other financial arrangement between the				
Please Check One:	lessor and qualified lessee.)				
Lessee's Business is New	Please have the lessee sign the following statement. Failure to do so will prevent approval of the				
Lessee's Business is Renovating	application.				
	Per RCW 82.32.834, I agree to file an annual tax performance report with the Department of Revenue each May 31st for eight				
Location and Site Description of Investment Project	years, beginning with the first calendar year after the calendar year in which the investment project is certified by the department as operationally complete. Failure to complete and submit the performance reports by their due date will result in				
County	portions of deferred tax becoming immediately due.				
Address: (Street Address)	Printed Name				
(City, State and Zip Code) Parcel No:	Signature				
Site Description (i.e. new structure, expanding 1st floor, etc):	Title				
	Date				

Business Activity to be Conducted at the	ns Facili	ity	A	pportion	ment of Str	ucture		
If additional space is needed to answer quattach additional pages.	uestion 3	, please	oth	her purpo	y is used para ses, the appl	icable tax def	ferral shall b	e
3. Describe the lessee's manufacturing activity at this facility:			determined by apportioning the costs of construction. (Not all of these categories qualify for the deferral.)					
			12	. Percent	tage of facili	ty devoted t	o:	
							(Use whole i	numbers)
4. Is the lessee currently paying	Yes	No		Acco	unting/Payr	oll		<u>%</u>
manufacturing or processing				Cafet				%
for hire business & occupation					mon Areas			<u>%</u>
tax on above described activity?					erence & Tr	•	ns	<u>%</u>
5. If the answer to question 4 is	Yes	No			omer Service	2		<u>%</u>
"No", is this a new manufacturing					ufacturing	lina a4 1in a		<u>%</u>
activity for the lessee's business?				super	es used by devisors or otherwises the re-	ner manager		
E 4 A II A A D A A C A				proc				%
Estimated Investment Project Costs				Rece	ption Area			%
Please include only those costs that will be	pe paid fo	or by the			arch & Deve			%
applicant.					& Marketir	ng		<u>%</u>
6. Structure:					house			<u>%</u>
Date building permit will be issued				Othe	r (please des	cribe)		<u>%</u>
Construction of new structure(s)								,
Leasehold improvements paid for by applicant				Total				100 %
Expansion or renovation to expand floor space or production capacity			Er	nplovme	ent Informa	tion		
Total Structure Costs:					ge Number o		Fauivalents	(FTEs)
7. Machinery & Equipment:				for Pre	vious Calen	dar Year.	•	
Date equipment is to be installed				(182	0 annualize	d hours worl	xed = 1 FTE	():
Purchase Price					Business: s Facility:			
Lease Contract Price			1.4		-	of Nov. ETI		
Fair market value of previously			14		ted Number sult of this p		LS	
owned machinery and equipment that is new to the State of Washington			15	15. Estimated Wages of New FTEs			\$	
Total Machinery & Equipment					sult of this p	3	-	
Costs:					rill the lessed on and/or ma			, both
8. Total Costs (Structure &			0	nsuucuo	on and/or ma	nuracturing	<u>'</u>	
Equipment):								
9. Estimated Completion Date:					e the lessee's the prior tw			loyment at
10. Estimated Square Footage Created:				x Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
11. Provide the name(s) of the general cont used, if known.	ractor(s)	to be	(Pr	rior Two	Avg # of Employees at the site.	Avg # of Employees at the site.	Avg # of Employees at the site.	Avg # of Employees at the site.
			1 a.	x Years)				

Taxpayers using this deferral program are required to Estimate the following for new in-state jobs created by the complete the Buyer's Sales and Use Tax Preference project for each year through the year the project is Addendum in E-file when filing their excise tax returns. estimated to be complete plus two additional years: The addendum is found on the main menu under "Tax (Add additional pages if necessary.) Preference." (RCW 82.32.808) 18. By year, estimated construction jobs created, hours worked, wages and duration associated with those jobs. **Audit Records Location** If your application is approved, a deferral certificate will be issued using the estimates from your application. Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100% of the machinery and equipment are eligible for 19. By year, estimated manufacturing jobs created, hours the deferral. The auditor may adjust the allowable deferral worked, wages and duration associated with those jobs. based on his or her findings. To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meetings with the auditor: Purchase invoices (i.e. accounts payable, receipts) 20. You and the lessee are responsible for reporting on job Supporting documentation for the construction, such generation both for the construction phase and the as construction contracts operations phase. This will require you to collect site-Original Sales and Use Tax Deferral Certificate specific employee related data from construction contractors and subcontractors. Included in the site-specific Although most audits can be completed with the above data for both the construction and operation phases are records, additional documents may be required during the quarterly employee hours and wages. Provide a description audit. of how you will collect site specific job related data: Please complete the following information about the contact person and audit records location if this information is currently available: 23. Contact person: 24. Telephone number of contact person: 25. Location of audit records: **Use of Facility** All businesses must continue manufacturing at the site of the investment project until all deferred taxes are repaid. **Signatures** If the manufacturing activity is not maintained, all or a portion of the deferred taxes outstanding for this investment will be immediately due. The Department will assess interest at I certify under penalty of perjury under the laws of the the rate provided for delinquent excise taxes, but not penalties, State of Washington that the forgoing is true and correct. retroactively to the date of the deferral. Applicant's Signature 21. Does the lessee plan to operate this investment project in a qualified Yes No manner until the tax is repaid? Printed Name 22. If the answer to question 21 is "No", how long does the Date lessee plan to operate this investment project with qualified use? Applicant's Title

Buver's Sales and Use Tax Preference Addendum

Employment Information Cont'd

The below matrix is an example of the type of data that will be requested on future tax performance reports.

- 1. On completion of construction.
 - a. UBI numbers for all firms directly involved in construction
 - b. Hours, wages, and number of workers related to the construction (both general and subcontractors) for each quarter during construction. The applicant will be responsible for collecting this information and certifying its accuracy to the best of your ability.
- 2. First two years after start of operation of new/renovated/expanded facility:
 - a. UBI numbers for all firms with employees directly involved in manufacturing
 - b. Hours, wages, and number of employees engaged in production work at the worksite. The applicant must certify the accuracy of the information to the best of your ability.

	Quarter	Total Quarterly Wages ¹	Total Quarterly Hours ²	Number of employees ³
Construction				
Production – all jobs created by the project ⁴				
Production – all jobs at the worksite ⁵				

Note: "Worksite" means the physical location of the qualified buildings or equipment. "Project" may include jobs such as architectural or company support services needed for the project that are not necessarily located at the worksite.

¹ Total quarterly wages is the sum of wages for all employees in the specified category.

² Total quarterly hours is the sum of hours worked by all employees in the specified category.

³ Number of employees is the sum of all employees in the specified category who worked at some point during the quarter.

⁴ Jobs are considered to be created by the project if at least ½ of the employee's time is on work related to production involving the buildings or equipment and the work did not exist prior to the investment.

 $^{^5}$ Jobs are at the worksite if at least ½ of the employee's time is spent at the worksite. Worksite means the physical location of the qualified buildings or equipment.